Taxes and magazines: A legal brief . . . page 85

Folio:

MARCH 1, 1992 THE MAGAZINE FOR MAGAZINE MANAGEMENT $6.50

TECHNOPHOBIA: MANAGING PRODUCTION CHANGE

Planning a technology overhaul? Unless you prepare in advance to handle staff reactions to this highly stressful event, you may suddenly find yourself in a zoo-like arena dealing with staffers who behave like outraged pit bulls or head-in-the-sand ostriches. Here are several proven strategies for avoiding a systematic breakdown. 68

WHAT'S HOT IN CONTROLLED-CIRC MARKETING

In the face of slumping advertising sales, more and more business publishers are eyeing circulation as a critically important source of revenue. FOLIO: surveyed 100 top trade circulation executives across the nation for our in-depth Special Report that uncovers and analyzes the latest—and hottest—trends in controlled-circulation marketing. 73

FAMILY MATTERS

Parents' Elizabeth Crow and John Hahn are working to fend off challenges to the venerable title's authority from up-and-coming magazines that are vying to become the new family experts. 45

ASSOCIATION PUBLISHING

Forget the recession. Association magazines are on the move with powerful strategies for building profits and expanding reach in the nineties. 78

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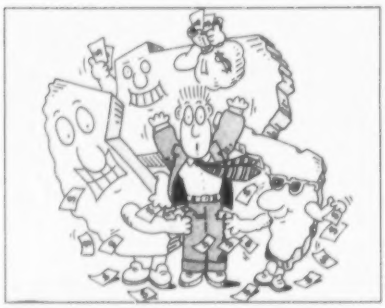
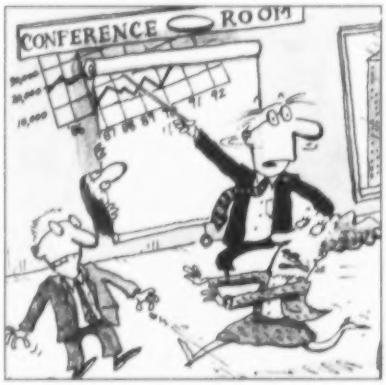


Taxing issues **85**
If a Supreme Court case now being heard results in a change in the definition of nexus, publishers will be the ones to pay.

***Railway Age* on track** **48**
Publisher Arthur McGinnis Jr. (*right*) and publishing director Robert Lewis count the benefits of acquiring *Modern Railroads*.



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Don't bore your prospects with data they already know. Instead, use the presentation time to solidify the selling relationship.

AN EYE FOR DETAIL.

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Vice President, Sales & Marketing

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WHAT'S HAPPENING IN CONTROLLED-Circulation Marketing

As advertising sales dry up for business publishers, the pursuit of new revenue streams intensifies. In this arid economy, circulation departments are coming under ever-increasing scrutiny as publishers search for new profit centers. Despite tight budgets, many publishers appear to be investing in their circulation departments: 45 percent of the 100 top circulation executives recently polled by FOLIO had more money to work with last year. The majority used their expanded budgets to increase the number of mailings and add to staff. Budgets held steady for 33 percent, but, according to our exclusive survey on marketing trends for controlled-circulation business titles, an unlucky 13 percent saw their budgets cut. The recession has also given rise to a group of business magazines pushing paid subscriptions and list rentals.

Our exclusive survey takes an in-depth, trend-spotting look at what trade circulation executives are doing.

By Jean Marie Angelo

A closer look at free to paid

In fact, of all the issues covered by our survey of 100 trade magazine circulators, the topic of free-to-paid conversion generated the most interest. Turning loyal readers into paying customers has been a goal of many circulation executives since the recession hit. Although the promise of subscription revenue is enticing, making a conversion has been no easy task.

Trying to get some or all readers to pay for their subscriptions is certainly not a new idea, says Mike Marchesano, senior vice president, marketing, for Business Publications Audit of Circulation (BPA), New York City. "I think at least 50 percent of our members have tested it at some time."

But the revenue-enhancing device is getting much play lately. The list of companies trying free-to-paid efforts reads like a *Who's Who* of the business press: Bill Communications, Miller Freeman, Intertec Publishing and Billboard Publications. Cahners Publishing in Newton, Massachusetts, is rumored to have one person dedicated solely to building paid circulation.

Is the quest for paid subscribers working? "I am not aware of anyone succeeding," says circulation consultant Elaine Tyson, head of Tyson Associates, Ridgefield, Connecticut. "Making the switch is very hard. It costs a lot of money and takes a long time," she adds. Publishers have to be clear about how tough they will be with those who don't pay up. If publishers are serious about dropping subscribers who won't send in a check, they must be certain that they can live without their readership.

Proceeding with caution

"We are tiptoeing into it," maintains Susan Sherwood, corporate circulation director of Billboard Publications Inc. (BPI), New York City, who notes that the company has some paid circulation on all its titles. She is currently attempting a conversion on *Shoot*, a two-year-old title for commercial cinematographers that has a circulation of 17,000. But she is not eager to try a major paid circulation promotion on all BPI's titles because of the expense involved and risk of losing readers.

"I used to think you could count on 10 percent response, but now the rate is more like 5 percent. It always amazes a publisher that there are 95 percent who won't go for it," says Sherwood. In

The typical respondent

Circulation size: 22,200*

Total magazine revenue: $2.1 million**

Percentage using telemarketing: 34%

Percentage expanding into international markets: 44%

*Median figure based on 38 responses. Others surveyed did not answer the question.
**Median figure based on 23 survey responses.

JULIE MCWILLIAMS

The list of companies trying free to paid reads like a *Who's Who* of the business press.

some cases, it is simply more important to guarantee that the magazine is reaching the right audience, she adds.

Miller Freeman Publications, San Francisco, started paid circulation tests in early 1991 on *Commercial Property News* and *Architectural Lighting*. "We would like to develop as much paid circulation as possible. I think this is based on the fact that this is a difficult economic period," says Jerry Okabe, corporate director of circulation.

At Intertec Publishing in Overland Park, Kansas, corporate circulation director Sandra Stewart increased the paid portion of *Transmission and Distribution* and *Grounds Maintenance* this year, pushing paid subscriptions to those who are not part of the qualified target group. The paid percentage of the entire circulation for these titles is 2 percent and 1.5 percent, respectively.

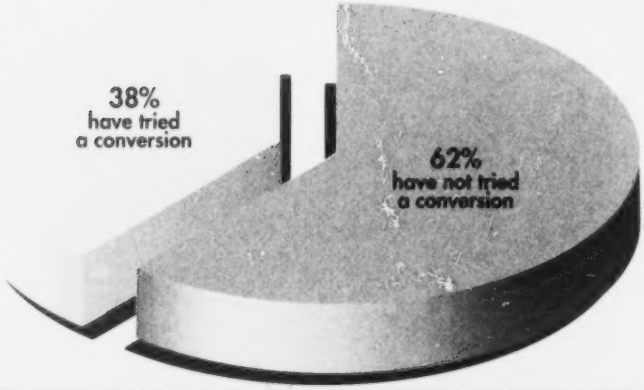
The company is also offsetting distribution costs by asking international subscribers to pay for postage and handling. The perk for doing so is quicker delivery, shaving the time from six weeks to one week, she notes.

Approximately 18 percent of FOLIO:'s survey respondents who have not done free-to-paid tests are at least using this same tactic to cope with rising postal costs to all subscribers. A smaller group, 5 percent, is simply asking their readers for donations.

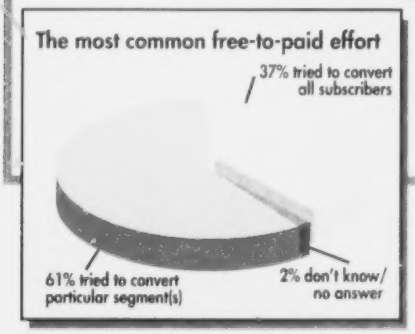
North American Publishing in Philadelphia held out the proverbial tin cup to the readers of *Target Marketing*, but has since discontinued the effort. The magazine asked 5,000 recently requalified readers for $25 each. "We just broke even because the copy emphasized that not giving would not affect the subscription," explains Ned Borowsky, president.

It is not only the large companies that are doing free-to-paid tests. Several years ago, Newton, Massachusetts-based

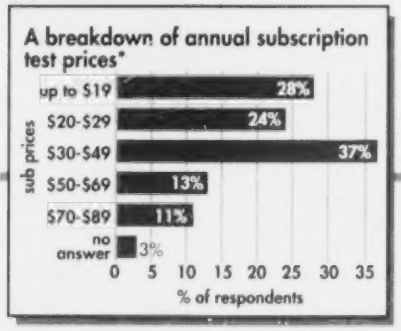
WHO'S ATTEMPTING A FREE-TO-PAID EFFORT?



As ad revenues sag, publishers are eyeing circulation as a source of revenue. During the past two years, almost 40 percent of business magazines have tried to convert some percentage of their readers into paying customers.

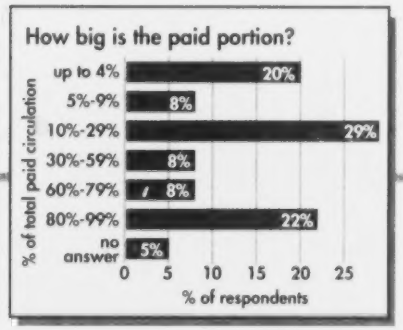

The most common free-to-paid effort
37% tried to convert all subscribers
61% tried to convert particular segment(s)
2% don't know/ no answer

Most who have tried a free-to-paid effort have favored converting a portion of their subscriber files instead of trying to collect from the entire audience. Targeted segments are most often peripheral readers who can be dropped without hurting the integrity of the circulation file.



The largest segment of respondents who have tried a free-to-paid test have charged between $30 and $49 for an annual subscription. The median price is $32.

*More than 100% because of multiple prices tested



The data on the size of paid circulation files chart two trends: either magazines are converting a moderate portion of their rosters—less than 30 percent—or they are pushing to convert 80 percent or more of the file.

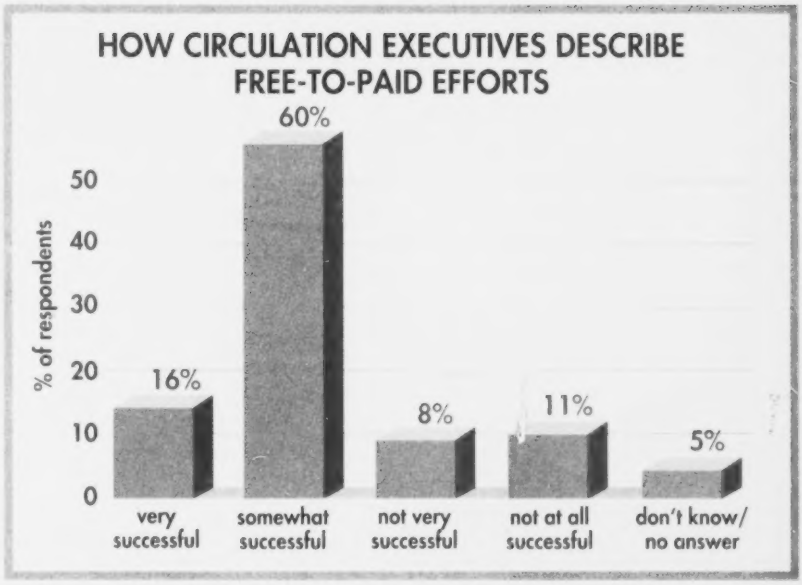
Larkin Publications began paid subscription promotions to the readers of *Musical Merchandise Review* and *Kids Fashions*, according to Elayne Selig, circulation manager. Subscription prices are $24 and $26, respectively, for the monthly magazines.

"We start the conversion three months prior to a reader's expiration date and keep sending the letter," Selig explains. It usually takes six mailings and perhaps some telemarketing to make the conversion. Although she will not reveal the cost per name to make a free-to-paid conversion, Selig insists the conversion effort is worth the expense. Those who do not pay for a subscription are kept on the mailing list, she adds.

Pitfalls aplenty

Top executives at Penton Publishing and CMP Publications are less enthusiastic about free-to-paid efforts. "I don't know if this is a key trend," says Bruce Sprague, Penton's director of circulation. "I know people are looking at it, but it is a concern because it is not certain that it will work. You could alienate your market and lose readers to a free competitor." And where the topnotch readers go, advertisers are sure to follow.

Michael Leeds, president of CMP, believes controlled circulation offers the best demographics on reader job responsibilities, decision-making power and company size. "In our competitive businesses we need all the information that we can get on subscribers. Losing control of readers in the business publishing arena leads to poorer readership."



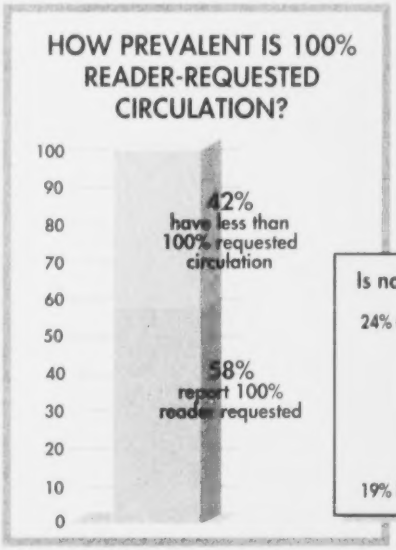
Industry wisdom says that free-to-paid efforts can be difficult and expensive. This is perhaps why only 16 percent of those polled say their tries at converting were "very successful." The majority have been "somewhat successful."

Encouraging renewal rates

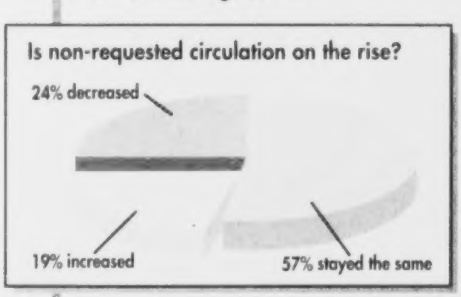
The difficulty in balancing revenue needs with quality readership may explain why only 16 percent of those who have tried a free-to-paid conversion categorize it as "very successful." Another 60 percent have been "somewhat successful," according to FOLIO:'s survey results. Still, experience suggests encouraging renewal rates for paid subscriptions. The median renewal rate for those who have tried a test is 73 percent. It is important to note, however, that 39 percent of those who have done a test could not report a renewal rate—most likely because these conversion efforts are in the early stages.

Respondents indicate there will be

> "It isn't certain that it will work. You could alienate your market and lose readers to a free competitor."



Of those who do report non-requested circulation, almost 20 percent increased it last year. Most of the circulation professionals who reduced this type of circulation say they did so because these readers either did not respond to a paid-conversion effort or were simply no longer on the job because of business closings (*below*).



Circulation executives pressed to cut costs can always increase the percentage of non-requested circulation. The median non-requested portion of a circulation file is 28 percent, according to the circulation executives who mail to professionals who have not specifically asked for a subscription. These names are compiled from professional directories, trade association rosters and other sources (*above left*).

The most popular response device is reader service cards (76%). 37% of respondents use fax response and 21% offer an 800 number service direct to advertisers.*

*More than 100% because of multiple answers

more free-to-paid activity in the months ahead. Of those who have not yet tried some type of conversion during the past two years, 15 percent will be attempting a test this year. Of the 38 percent who have tried a test, 84 percent report they are continuing to build the paid portion of their files. Those abandoning the free-to-paid effort are doing so primarily because the costs to convert were higher than the revenue gained.

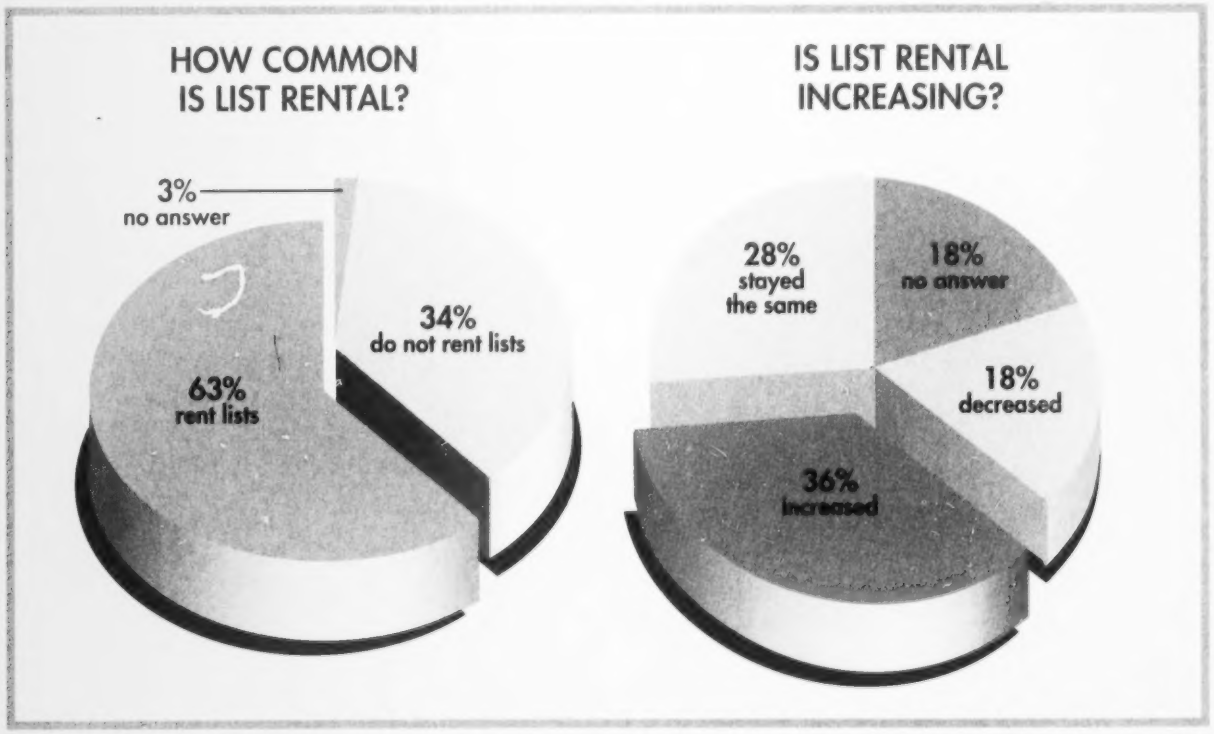
Building a case

As free-to-paid efforts continue, the business magazine community will at least be able to collect more evidence of the strategy's success or failure. The trend may create a new type of magazine, the semi-paid title, says Carole Ireland, a consultant and head of Quality Circulation Services, Mamaroneck, New York. Companies such as Miller Freeman already have titles with high percentages of paid and nonpaid subscribers.

If publishers are at all successful in gaining paid readership, it is a sure bet they will go to great lengths to hang on to those who pay up. Says Ireland: "Publishers hate to lose revenue once they've seen it." ■

Methodology

Research USA, Inc., Chicago, conducted telephone research for FOLIO: on December 19 and 20, 1991. Two hundred sixty-seven top circulation executives throughout the United States were contacted on a random, nth-name basis to yield 100 completed questionnaires. Respondents were asked to answer questions specifically for the magazine that is their primary responsibility. If they were responsible for more than one title, participants were asked for data relating to the magazine with the largest circulation file. Their answers reflect trends observed during 1991, unless otherwise indicated.



The majority of circulation executives rent their subscription lists, and of these, 84 percent say rentals add to the bottom line. The 36 percent who have increased list rentals cite aggressive marketing as the number-one reason for their gains. Approximately 9 percent of our respondents report that they first started marketing their lists in 1991. The 18 percent who say list rentals are down bemoan the fact that more lists are now on the market and also complain that increased postal rates and a sluggish economy have reduced the number of direct mailings.

Apr. 1, 1992 Not Filmed